

# Financial Status Report

*Prepared by the Finance Department*



June 30, 2007

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2007. It compares revenues and expenditures for Fiscal Year 2006-07 and Fiscal Year 2005-06. In addition, the financial status of the Water and Sanitation Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## GENERAL FUND BALANCE

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$122.6 million, which was \$7.9 million above recent projections. Expenditures and encumbrances at \$115.3 million were \$15.7 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart below, the General Fund's unreserved fund balance grew by \$4 million for the year, for a total of \$65.5 million.

## TOP GENERAL FUND REVENUES



**Property Taxes (\$43.7 million)** – Property taxes reflect a 15% increase over

Fiscal Year 2005-06 revenues. The majority of this increase in property taxes is from a 14.3% increase in assessed values in Carlsbad for the fiscal year. In addition, in the prior two fiscal years, the City was required to "contribute" a portion of their property taxes to the State, to help fund the State's financial shortfalls. These contributions ended at the end of Fiscal Year 2005-06. The City had "contributed" \$1.9 million to the State for both Fiscal Year 2005-06 and Fiscal Year 2004-05. This \$1.9 million remained with the City for Fiscal Year 2006-07, contributing to this year's increase in revenues. Partially offsetting these two factors included a decrease in supplemental taxes, an increase in prior period refunds and an overall increase in the delinquency rate for the City of 1%, to a total rate of 5.1%.

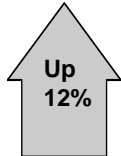


**Sales Taxes (\$27.9 million)** – For the year, sales tax revenues are \$594,000 (or 2%) higher than the previous fiscal year. The primary factors in the increase over the prior fiscal year is the result of two large sales tax adjustments given to two major businesses in Carlsbad last year (negatively impacting the City's sales tax revenues last year), combined with an 8.8% increase in the semiannual "Triple Flip" receipt. The increased "Triple Flip" receipt was based on the growth in sales tax revenues during Fiscal Year 2005-06.

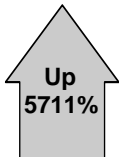
GENERAL FUND FISCAL YEAR 2006-07 UNRESERVED - UNDESIGNATED FUND BALANCE (unaudited)	
	Actual on a Budgetary Basis
Unreserved Fund Balance 7/1/2006	\$61,493,422
Revenues*	121,180,633
Other Financing Sources	1,410,806
Transfers In	13,960
Expenditures/Encumbrances	(107,737,299)
Other Financing Uses	(47,029)
Transfers Out	(7,511,821)
Other Changes in Reserves and Designations**	(3,340,805)
Unreserved Fund Balance 6/30/2007***	\$65,461,867
* Interest income is shown on an amortized basis, and will be \$611,899 more when adjusted to fair market value as required under GAAP for financial statement reporting.	
** Reserves and designations include advances, encumbrances and other miscellaneous reserves.	
***Unreserved Fund Balance includes an estimated \$12.7 million of continuing appropriations.	

During the year, key gains could be seen in office equipment, restaurants, leasing and apparel stores. During the same period, key declines could be seen in new auto sales, construction (wholesale and retail building materials), and department stores. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 0.3% for sales occurring in the twelve months ended March 31, 2007 over the same twelve-month period last year.

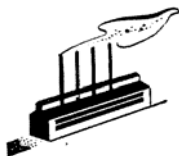
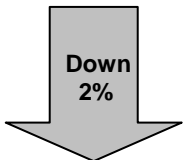
The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 67% of the City's sales tax revenues.



**Transient Occupancy Tax (\$12.9 million)** – Transient Occupancy Taxes (TOT) for the year reflect an increase of \$1.4 million, 12% over the previous year. Tourism has been strong all year long, with the two largest hotels accounting for 36% of this increase. The West Inn and Suites opened to the public in May of 2006 and the La Costa Resort continues with their expansion; additional contributing factors to this year's increase. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2007.



**Other Intergovernmental Revenues (\$8.3 million)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$8.3 million received this year are state library grants, school resource officer reimbursements, senior nutrition grant funds, reimbursements for Peace Officer Standards and Training (POST) expenses, state mandated costs reimbursements, state and federal disaster preparedness funds, Law Enforcement Terrorism Program funding, Urban Area Security Initiative funding and money received from the County of San Diego for police task force reimbursements. A major factor in this year's increase is the assistance the City is receiving from the Federal Highway Administration (\$6.2 million has been received to date) for the 2005 winter storm damage in the City.



**Franchise Taxes (\$5.3 million)** – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are down \$83,000 compared to last year primarily due to a decline in the SDG&E franchise fees.

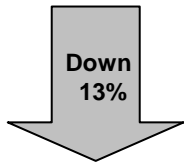
SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E also pays an "in-lieu" franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of "in-lieu" taxes collected is from Cabrillo Power, the operator of the Encina Plant. This "in-lieu" tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E are down in total by 4%. Net electricity sales increased by 21%, while net gas sales decreased by 5%. The "in-lieu" taxes are down by 13% for the year. The drop in "in-lieu" taxes is not a reflection of the price of natural gas or electricity, but rather a reflection of the amount of utilities transported through SDG&E lines, but not purchased from SDG&E.



**Income from Investments and Property (\$5.3 million)** – For the year, income from investments and property is up \$2.0 million compared to the previous year. The higher revenue is a combination of an increase in interest income (up 17%) and an increase from the rental and sale of City-owned property (up 223%).

Interest income is up for the year due to the effects of a 10% increase in the average yield on the portfolio for the fiscal year, as well as a 1% increase in the average daily cash balance during the year.

Income from property rentals and sales is up compared to the previous year, primarily due to the sale of a piece of residential property that was donated to the City last fiscal year for \$1.4 million. Other factors leading to the increase were additional recreation site and Senior Center rentals. A majority of the higher recreation site rentals is from the opening of Aviara Community Park and increased pool rentals.

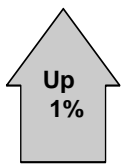


**Development-Related Revenues (\$4.5 million)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease compared to the prior fiscal year. Although it was originally anticipated that these revenues would decline in total by over 25% for the entire fiscal year, stronger than anticipated planning revenues received as a result of development activities at Robertson Ranch have reduced this decline to a much lower percentage.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development-related revenue source for the year was engineering plan check fees. Some of the activity in June included residential development at the Oaks North, as well as commercial development with the Bressi Ranch Self Storage facility, the Carlsbad Ranch Resort, and the new Bressi Ranch shopping center.

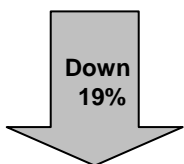
Another source of development-related revenue is building permits, which are down 27% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential building permits issued. The valuation of new construction for the fiscal year is just under \$287.2 million, while it was just over \$378.6 million in the previous fiscal year, a 24% decrease. Builders pulled permits for 40 homes in June. Of the 40 new homes permitted, 33 homes are located in La Costa Ridge; two homes are located in Magnolia Estates (Bressi Ranch), and the remaining three permits relate to small projects spread throughout the City. For the 2006-07 Fiscal Year, 472 residential permits were issued, as compared to 943 permits issued during last fiscal year.

Carlsbad issued two permits for new industrial, commercial or office space during the month of June, for a total of 13,819 square feet. Year-to-date there has been a combined 1,616,301 square feet in commercial/industrial permits issued, as compared to 1,205,983 square feet for Fiscal Year 2006.



**Business License Tax (\$3.1 million)** – Business license revenues are marginally ahead of last year, up by \$16,000 over Fiscal Year 2005-06. There are currently 8,541 licensed businesses, 154 more than this time last year, with 63% of this increase due to a rise in home-based businesses. These businesses are typically taxed at a lower rate than businesses that are not home-based. The majority of taxed businesses (5,963 businesses) are located in Carlsbad, with

2,571 of these businesses home-based.



**Interdepartmental Charges (\$2.1 million)** – Interdepartmental charges are \$488,000, or 19% lower than last year. These charges are generated through engineering services charged to capital projects and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund. The decrease for the year is due to a decrease in interdepartmental charges to funds outside the General Fund, reflecting an updated cost allocation plan, and reduced engineering services charged to capital projects.



**Ambulance Fees (\$1.7 million)** – The City bills any individual who is transported in one of the City's ambulances. For Fiscal Year 2007, receipts from ambulance fees are up 2% or \$35,000 higher than last fiscal year. Although there was an increase in the number of patients transported by the City (3,563 in Fiscal Year 2006-07 versus 3,285 last fiscal year), ambulance

revenues were impacted by an increase in the amount of Medicare and Medi-Cal adjustments (Medicare

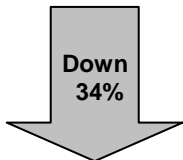
and Medi-Cal claims are reimbursed to the City at substantially reduced rates) and additional write-offs from uncollectible accounts.



**Recreation Fees (\$1.7 million)** – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$69,000 higher than the previous fiscal year. The largest factors in this year's increase are increased participation in instructional classes, arts camps, and adult and youth sports. These increases were partially offset by lower revenues in the triathlon, day camps and the various aquatic programs.



**Fines and Forfeitures (\$1.3 million)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving and parking citations issued has led to additional revenues received by the City, although the majority of moving violation revenue is paid to the courts for the administration of these citations.



**Transfer Taxes (\$1.3 million)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The City receives 50% of the transfer tax charged for sales within the City of Carlsbad. The housing market was extremely strong during the past couple of years in San Diego County, but has recently slowed down significantly. This slow down is reflected in the decrease in transfer taxes the City received in the 2006-07 Fiscal Year.

## EXPENDITURES

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2006-07 equaled \$115.3 million. This was \$15.7 million less than the budget of \$131.0 million. These "savings" represent an accumulation of efficiency efforts achieved over the past six fiscal years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$15.7 million unspent money will be carried over to the next fiscal year. These "savings" will be used to improve programs and services in upcoming fiscal years.

Some of the larger factors reflected in the increase in expenditures for the current year include an increase in police staffing and additional police overtime for added enforcement in downtown Carlsbad; the purchase of a new and a reserve ambulance; an update of the City's General Plan, Local Coastal Program and Zoning Ordinance; an increase in sidewalk, curb, gutter and street repairs; continued focus on traffic signal maintenance and battery backup upgrades; additional maintenance expenditures related to the newest City parks: Aviara Community Park and Hidden Canyon Park; the proposed funding of retiree healthcare costs as required under GASB 45; and additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure.

The City Council has allocated \$2.3 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. For the year, just under \$2.1 million was authorized out of the contingency account, as shown in the chart below. The remaining contingency amount of \$246,000 will return to the General Fund balance for appropriation by the Council in the future.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$2,300,000		
<b>USES:</b>			
San Diego Regional Energy Office Recommended Energy Retrofits	(215,052)	07/11/2006	2006-194
Donation to Carlsbad Softball Association	(7,964)	08/01/2006	AB 18,683
Donation to Artsplash	(20,000)	08/08/2006	AB 18,688
"In Kind" Service Assistance for Artsplash	(9,000)	08/08/2006	AB 18,688
"In Kind" Service Assistance for the 2006 Lancer Day Homecoming Parade	(2,571)	09/19/2006	AB 18,737
TAIC Preserve Steward Agreement for Habitat Management Plan	(125,476)	09/26/2006	2006-283
2005 Winter Storms Emergency Repairs	(1,060,000)	09/26/2006	2006-286
Information Brochure on Propositions D and E	(30,000)	10/10/2006	2006-290
"In Kind" Service Assistance for the 2006 La Costa High School Homecoming Parade	(660)	10/10/2006	2006-292
"In Kind" Service Assistance for the Carlsbad Christmas Bureau	(557)	11/14/2006	2006-236
Fire Station 6 Rental Assistance	(120,000)	12/05/2006	2006-354
Implementation of Citygate Associates Report Recommendations	(251,936)	12/05/2006	2006-355
Carlsbad Environmental Resources Management Team Support	(105,000)	01/23/2007	2007-011
Donation to Fraternity House	(5,000)	04/03/2007	Minutes
Traffic Study for La Costa Avenue	(100,000)	04/03/2007	2007-072
City Support of Community Picnic Sponsored by Imagine Carlsbad	(750)	06/12/2007	AB 19,027
<b>TOTAL USES</b>	<u>(2,053,966)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$246,034</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON				
	ACTUAL REVENUE 2005-06	ACTUAL REVENUE 2006-07*	ACTUAL COMPARED TO ACTUAL	
			DIFFERENCE	%
<b>TAXES</b>				
PROPERTY TAX	\$38,041,495	\$43,651,329	\$5,609,834	14.7%
SALES TAX	27,294,382	27,888,562	594,180	2.2%
TRANSIENT TAX	11,512,552	12,929,008	1,416,456	12.3%
FRANCHISE TAX	5,429,311	5,346,108	(83,203)	-1.5%
BUSINESS LICENSE TAX	3,039,678	3,055,710	16,032	0.5%
TRANSFER TAX	1,905,842	1,261,849	(643,993)	-33.8%
<b>TOTAL TAXES</b>	<b>87,223,260</b>	<b>94,132,566</b>	<b>6,909,306</b>	<b>7.9%</b>
<b>INTERGOVERNMENTAL</b>				
VEHICLE LICENSE FEES	587,179	608,257	21,078	3.6%
HOMEOWNERS EXEMPTIONS	371,640	370,630	(1,010)	-0.3%
OTHER	143,422	8,334,015	8,190,593	5710.8%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>1,102,241</b>	<b>9,312,902</b>	<b>8,210,661</b>	<b>744.9%</b>
<b>LICENSES AND PERMITS</b>				
BUILDING PERMITS	1,375,736	1,006,155	(369,581)	-26.9%
OTHER LICENSES & PERMITS	1,128,284	1,087,651	(40,633)	-3.6%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>2,504,020</b>	<b>2,093,806</b>	<b>(410,214)</b>	<b>-16.4%</b>
<b>CHARGES FOR SERVICES</b>				
PLANNING FEES	890,672	1,097,045	206,373	23.2%
BUILDING DEPT. FEES	998,840	733,740	(265,100)	-26.5%
ENGINEERING FEES	1,825,354	1,614,082	(211,272)	-11.6%
AMBULANCE FEES	1,685,850	1,720,624	34,774	2.1%
RECREATION FEES	1,581,370	1,650,636	69,266	4.4%
OTHER CHARGES OR FEES	769,587	777,044	7,457	1.0%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>7,751,673</b>	<b>7,593,171</b>	<b>(158,502)</b>	<b>-2.0%</b>
<b>FINES AND FORFEITURES</b>	<b>1,063,268</b>	<b>1,262,006</b>	<b>198,738</b>	<b>18.7%</b>
<b>INCOME FROM INT &amp; PROPERTY</b>	<b>3,339,742</b>	<b>5,307,087</b>	<b>1,967,345</b>	<b>58.9%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>2,611,380</b>	<b>2,122,938</b>	<b>(488,442)</b>	<b>-18.7%</b>
<b>OTHER REVENUE SOURCES</b>	<b>1,280,462</b>	<b>766,964</b>	<b>(513,498)</b>	<b>-40.1%</b>
<b>TOTAL GENERAL FUND</b>	<b>106,876,046</b>	<b>122,591,440</b>	<b>15,715,394</b>	<b>14.7%</b>
* Unaudited				

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
		AS OF 06/30/07			
DEPT	DESCRIPTION	TOTAL BUDGET FY 2006-07	ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ OVER BUDGET (c)	% UNDER/ OVER BUDGET
<b>POLICY/LEADERSHIP GROUP</b>					
	CITY COUNCIL	\$485,118	\$365,296	\$119,822	24.7%
	CITY MANAGER	1,779,589	1,390,176	389,413	21.9%
	COMMUNICATIONS	1,388,453	1,096,951	291,502	21.0%
	CITY CLERK	312,070	282,894	29,176	9.3%
	CITY ATTORNEY	1,437,844	1,234,823	203,021	14.1%
	CITY TREASURER	229,383	163,376	66,007	28.8%
	<b>TOTAL POLICY/LEADERSHIP</b>	<b>5,632,457</b>	<b>4,533,516</b>	<b>1,098,941</b>	<b>19.5%</b>
<b>ADMINISTRATIVE SERVICES</b>					
	ADMINISTRATION	862,341	781,931	80,410	9.3%
	ENVIRONMENTAL RESOURCES MGMT.	107,000	4,839	102,161	95.5%
	FINANCE	3,722,174	3,262,237	459,937	12.4%
	HUMAN RESOURCES	3,458,350	2,401,824	1,056,526	30.6%
	RECORDS MANAGEMENT	991,197	909,420	81,777	8.3%
	<b>TOTAL ADMINISTRATIVE SERVICES</b>	<b>9,141,062</b>	<b>7,360,251</b>	<b>1,780,811</b>	<b>19.5%</b>
<b>PUBLIC SAFETY</b>					
	POLICE	25,563,195	24,684,187	879,008	3.4%
	FIRE	16,796,268	15,372,872	1,423,396	8.5%
	<b>TOTAL PUBLIC SAFETY</b>	<b>42,359,463</b>	<b>40,057,059</b>	<b>2,302,404</b>	<b>5.4%</b>
<b>COMMUNITY DEVELOPMENT</b>					
	COMMUNITY DEVELOPMENT ADMIN	2,860,011	2,787,596	72,415	2.5%
	HIRING CENTER	88,000	86,826	1,174	1.3%
	GEOGRAPHIC INFORMATION	434,481	434,101	380	0.1%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	219,008	189,493	29,515	13.5%
	PLANNING	4,349,083	3,752,114	596,969	13.7%
	BUILDING	2,306,463	2,113,706	192,757	8.4%
	<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>10,257,046</b>	<b>9,363,836</b>	<b>893,210</b>	<b>8.7%</b>
<b>COMMUNITY SERVICES</b>					
	PARK PLANNING & RECREATION	7,069,150	5,864,225	1,204,925	17.0%
	SENIOR PROGRAMS	1,333,352	1,205,528	127,824	9.6%
	LIBRARY	11,829,019	9,532,800	2,296,219	19.4%
	CULTURAL ARTS	1,210,065	932,043	278,022	23.0%
	<b>TOTAL COMMUNITY SERVICES</b>	<b>21,441,586</b>	<b>17,534,596</b>	<b>3,906,990</b>	<b>18.2%</b>
<b>PUBLIC WORKS</b>					
	PUBLIC WORKS ADMINISTRATION	1,266,360	1,026,811	239,549	18.9%
	ENGINEERING	8,670,928	7,006,715	1,664,213	19.2%
	PARKS	5,834,357	5,302,554	531,803	9.1%
	STREETS & TRAFFIC SIGNALS	5,256,299	4,713,935	542,364	10.3%
	FACILITIES	4,808,964	3,868,919	940,045	19.5%
	<b>TOTAL PUBLIC WORKS</b>	<b>25,836,908</b>	<b>21,918,934</b>	<b>3,917,974</b>	<b>15.2%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>					
	OTHER NON-DEPARTMENTAL (a)	8,395,577	7,016,094	1,379,483	16.4%
	TRANSFERS OUT	7,727,821	7,511,821	216,000	2.8%
	CONTINGENCY	246,034	0	246,034	100.0%
	<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>16,369,432</b>	<b>14,527,915</b>	<b>1,841,517</b>	<b>11.2%</b>
<b>TOTAL GENERAL FUND</b>		<b>\$131,037,954</b>	<b>\$115,296,107</b>	<b>\$15,741,847</b>	<b>12.0%</b>

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs, proposed retiree healthcare funding and other items not attributed to a specific department.

(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

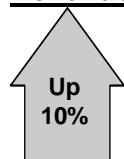
(c) These "savings" represent an accumulation of efficiency efforts achieved over the past six fiscal years.



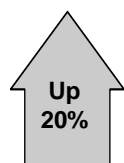
**WATER ENTERPRISE**

**WATER OPERATIONS FUND  
JUNE 30, 2007**

	BUDGET FY 2006-07	YTD 06/30/2006	YTD 06/30/2007	CHANGE FROM YTD 2005-06 TO YTD 2006-07	PERCENT CHANGE
<b>REVENUES</b>					
WATER SALES	16,205,888	13,689,339	15,379,301	1,689,962	12.3%
CHARGES FOR CURRENT SERVICES	4,405,960	4,181,277	4,372,307	191,030	4.6%
PROPERTY TAXES	2,310,000	2,257,124	2,505,551	248,427	11.0%
FINES, FORFEITURES & PENALTIES	234,600	245,008	268,000	22,992	9.4%
INTEREST	500,062	553,843	581,211	27,368	4.9%
OTHER REVENUES	618,750	580,367	543,430	(36,937)	-6.4%
<b>TOTAL OPERATING REVENUE</b>	<b>24,275,260</b>	<b>21,506,958</b>	<b>23,649,800</b>	<b>2,142,842</b>	<b>10.0%</b>
<b>EXPENSES</b>					
STAFFING	2,981,106	2,692,313	2,765,711	73,398	2.7%
RETIREE HEALTHCARE FUNDING	2,747,676	0	2,747,676	2,747,676	100.0%
INTERDEPARTMENTAL SERVICES	2,218,226	2,167,418	2,212,446	45,028	2.1%
PURCHASED WATER	13,500,000	11,175,807	12,537,238	1,361,431	12.2%
MWD/CWA FIXED CHARGES	2,450,000	2,253,894	2,459,775	205,881	9.1%
OUTSIDE SERVICES/MAINTENANCE	560,495	498,067	709,240	211,173	42.4%
DEPRECIATION/REPLACEMENT	2,819,350	2,840,745	2,819,350	(21,395)	-0.8%
CAPITAL OUTLAY	366	10,193	2,983	(7,210)	-70.7%
MISCELLANEOUS EXPENSES	971,351	825,524	735,618	(89,906)	-10.9%
<b>TOTAL OPERATING EXPENSES</b>	<b>28,248,570</b>	<b>22,463,961</b>	<b>26,990,037</b>	<b>4,526,076</b>	<b>20.1%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>(3,973,310)</b>	<b>(957,003)</b>	<b>(3,340,237)</b>	<b>(2,383,234)</b>	<b>249.0%</b>

**Revenues**

- The increase in water sales can be tied directly to a 6% increase in the number of water unit sales combined with a 5% rate increase that went into effect on August 1, 2006.
- An additional 2,479 residential water customers over the last twelve months and a 5% increase in the monthly delivery charge of water that went into effect on August 1, 2006, have impacted charges for current services for the 2006-07 Fiscal Year.
- The Enterprise has seen additional cell site lease revenues (other revenues), however, a slow down in development (lower installation and connection fees) and engineering labor charged to water capital projects offset this increase.

**Expenses**

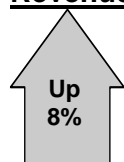
- The Enterprise is prepared to fund its accrued liability for retiree healthcare costs as required under GASB 45 during the fiscal year.
- The increase in water purchases is the result of a 6% increase in the cost of purchased water combined with a 7% increase in the amount of water purchased from CWA.
- The MWD/CWA fixed charges were increased on July 1, 2006, to reflect the increased cost of delivering water throughout the region.
- A large portion of the increased outside service expenses was related to the repair of a 21" main on Cannon Road.
- The decrease in miscellaneous expenses is the result of a slowdown in development throughout the City (lower meters, fittings and other supply expenses) and the fact that in the prior fiscal year, the Enterprise had a higher amount of write-offs for uncollectible accounts.

As anticipated, the Enterprise ended the year with an operating deficit of \$2.4 million. There is a sufficient retained earnings balance to cover this deficit.

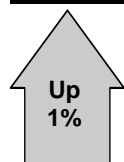


**SANITATION ENTERPRISE**

SEWER OPERATIONS FUND JUNE 30, 2007					
	BUDGET FY 2006-07	YTD 06/30/2006	YTD 06/30/2007	CHANGE FROM YTD 2005-06 TO YTD 2006-07	PERCENT CHANGE
<b>REVENUES</b>					
CHARGES FOR CURRENT SERVICES	7,527,599	6,726,713	7,372,476	645,763	9.6%
INTEREST	162,194	236,810	238,071	1,261	0.5%
OTHER REVENUES	251,303	260,117	207,591	(52,526)	-20.2%
<b>TOTAL OPERATING REVENUE</b>	<b>7,941,096</b>	<b>7,223,640</b>	<b>7,818,138</b>	<b>594,498</b>	<b>8.2%</b>
<b>EXPENSES</b>					
STAFFING	1,189,635	1,042,254	1,021,417	(20,837)	-2.0%
RETIREE HEALTHCARE FUNDING	119,064	0	119,064	119,064	100.0%
INTERDEPARTMENTAL SERVICES	1,057,550	967,976	1,039,221	71,245	7.4%
ENCINA PLANT SERVICES	3,082,657	2,300,282	2,737,084	436,802	19.0%
OUTSIDE SERVICES/MAINTENANCE	242,177	627,374	189,528	(437,846)	-69.8%
DEPRECIATION/REPLACEMENT	2,850,000	2,996,075	2,850,000	(146,075)	-4.9%
CAPITAL OUTLAY	45,810	4,441	53,841	49,400	1112.4%
MISCELLANEOUS EXPENSES	361,079	426,122	443,951	17,829	4.2%
<b>TOTAL OPERATING EXPENSES</b>	<b>8,947,972</b>	<b>8,364,524</b>	<b>8,454,106</b>	<b>89,582</b>	<b>1.1%</b>
<b>OPERATING INCOME/LOSS</b>	<b>(1,006,876)</b>	<b>(1,140,884)</b>	<b>(635,968)</b>	<b>504,916</b>	<b>-44.3%</b>

**Revenues**

- The increase in charges for current services is primarily the result of an additional 2,192 new residential sewer customers over the past twelve months, as well as an 8.5% rate increase that went into effect on August 1, 2006.
- A reduction in the amount of engineering services charged to the various sewer projects accounts for the decrease in other revenues.

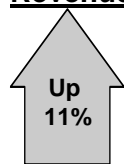
**Expenses**

- Reduced staffing expenses are the result of temporary vacancies created from recent retirements.
- The Enterprise is prepared to fully fund its accrued liability for retiree healthcare costs as required under GASB 45 during the fiscal year.
- An increase in engineering services charged to sewer operations, utility billing services and information technology services are the primary factors in higher interdepartmental services.
- A large credit was given by Encina during the 3<sup>rd</sup> quarter in Fiscal Year 2005-06; a result of truing up the expenses from the 2004-05 Fiscal Year.
- In the prior fiscal year, repairs at the Foxes Lift Station, State Street Alley and Corte del al Pina, as well as slope restoration expenses at Agua Hedionda, impacted outside services/maintenance expenses.
- Capital outlay expenses include an internal gas alarm monitor and a submersible pump.
- Higher heating and lighting costs and the remittance of arbitrage (paid every five years) account for the rise in miscellaneous expenses.

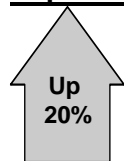
As anticipated, the Enterprise ended the year with an operating deficit of \$636,000. There is a sufficient retained earnings balance to cover this deficit.

**REDEVELOPMENT AGENCY**

<b>CARLSBAD REDEVELOPMENT AGENCY</b> <b>VILLAGE PROJECT AREA</b> <b>OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS</b> <b>JUNE 30, 2007</b>					
	<b>BUDGET FY 2006-07</b>	<b>YTD 06/30/2006</b>	<b>YTD 06/30/2007</b>	<b>CHANGE FROM YTD 2005-06 TO YTD 2006-07</b>	<b>PERCENT CHANGE</b>
<b>REVENUES</b>					
PROPERTY TAXES	2,132,690	2,376,530	2,664,424	287,894	12.1%
INTEREST	35,000	54,828	99,585	44,757	81.6%
OTHER REVENUES	94,000	109,391	55,174	(54,217)	-49.6%
<b>TOTAL OPERATING REVENUE</b>	<b>2,261,690</b>	<b>2,540,749</b>	<b>2,819,183</b>	<b>278,434</b>	<b>11.0%</b>
<b>EXPENSES</b>					
STAFFING	173,539	171,690	239,613	67,923	39.6%
INTERDEPARTMENTAL SERVICES	85,261	61,300	85,301	24,001	39.2%
RENTALS & LEASES	161,893	137,726	143,304	5,578	4.1%
DEBT EXPENSE	1,048,740	1,871,112	1,661,849	(209,263)	-11.2%
CAPITAL OUTLAY	1,257,468	41,810	640,363	598,553	1431.6%
OUTSIDE SERVICES, MAINT & MISC	227,864	207,169	226,343	19,174	9.3%
<b>TOTAL OPERATING EXPENDITURES</b>	<b>2,954,765</b>	<b>2,490,807</b>	<b>2,996,773</b>	<b>505,966</b>	<b>20.3%</b>
<b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>	<b>(693,075)</b>	<b>49,942</b>	<b>(177,590)</b>	<b>(227,532)</b>	<b>-455.6%</b>

**Revenues**

- Assessed values for the year have increased by 24% in the Village Redevelopment Area. However, a large reduction in supplemental tax revenues as compared to the previous fiscal year partially offset this increase.
- Increased interest revenue is the result of a 64% higher average daily cash balance combined with a 10% increase in the yield on the portfolio for the fiscal year.
- The expiration of the Children's Museum building lease and the Pizza Port parking lot lease have negatively impacted other revenues.

**Expenditures**

- Increased staffing costs are the result of normal salary and related benefits increases, as well as a reallocation of staff salaries within the various sections of the Redevelopment Agency.
- Higher interdepartmental charges are the result of an updated cost allocation plan. These expenses are the result of reimbursing the City's General Fund for services performed by General Fund departments on behalf of the Agency.
- The decrease in debt expense is due to the ERAF payment made last fiscal year that is no longer required by the State of California.
- Design costs for the Senior Center expansion are reflected in the higher capital outlay expenditures.
- Higher outside services, maintenance and miscellaneous expenditures are the result of a one-time uncollectible lease receivable as well as the transfer of funds to the Parking-in-Lieu Capital Project Fund for amounts previously collected from Pizza Port for parking lot rentals.

As anticipated, the Agency ended the year with an operating deficit of \$178,000. There is a sufficient fund balance to cover this deficit.